

PUBLIC DISCLOSURE

February 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Gassaway

05540490

P. O. Box 40

Gassaway, West Virginia 26624

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Bank of Gassaway, Gassaway, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 2, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio appears reasonable given its financial capacity, location, and demand for credit in the area. A substantial majority of loans sampled during the examination were extended to borrowers within the assessment area. The institution's lending to low- and moderate-income borrowers appears reasonable given local demographics. Additionally, the geographic distribution of loans within the assessment area meets standards for a satisfactory performance.

DESCRIPTION OF INSTITUTION:

Bank of Gassaway operates three offices in Braxton County and one office in Clay County, West Virginia. As of December 31, 1997, the bank had total assets of \$92 million, of which \$64 million (70%) were loans. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The loan portfolio as of December 31, 1997, was comprised of 45% real estate secured (consumer and business), 13% commercial, 42% consumer. Based on the number of loans extended during the previous six months, consumer loans secured by motor vehicles and residential mortgage loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of Braxton and Clay Counties, West Virginia. Each county is comprised of three block numbering areas (BNAs). According to the 1990 census data, the assessment area has a population of 22,981. All three BNAs in Clay County are considered moderate-income areas, while all three BNAs within Braxton County are middle-income. There are no low- or upper-income BNAs in the assessment area. Forty-three percent and 57% of the population resides in moderate- and middle-income BNAs, respectively. The percentage of owner-occupied units in moderate- and middle-income geographies within the local community is 42% and 58%.

Located in the central portion of the state, the assessment area is predominantly rural. Employment opportunities are primarily provided by State and local governments, as well as the mining, construction, manufacturing, and retail trade industries. General economic conditions for the area, however, remain relatively weak. As of December 1997, the unemployment rates for Braxton and Clay Counties were 10.3% and 12.7%, respectively. These rates are substantially higher than the current West Virginia jobless rate of 6.5%. The 1997 median family income for nonmetropolitan areas within West Virginia is \$27,600.

A community contact was made to further assist in evaluating the bank's CRA performance. According to the contact, area financial institutions have been meeting the credit needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**LOAN-TO-DEPOSIT RATIO**

The bank's level of lending is responsive to area loan demand. During a six-quarter period ending September 1997, the quarterly average loan-to-deposit ratio for banks located in nonmetropolitan areas of West Virginia and of similar asset size to Bank of Gassaway ranged from 65% to 75%. The institution's average loan-to-deposit ratio for a seven-quarter period ending December 1997 is 74% and meets expectations for satisfactory performance.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, 148 of 600 consumer loans secured by motor vehicles and 81 of 136 residential mortgage loans were reviewed. The lending distribution of the sampled loans is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	201	28	229
Percentage of Total Loans	88%	12%	100%
Total Amount of Loans (000's)	\$3,720	\$674	\$4,394
Percentage of Total Amount	85%	15%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

A review of the 129 consumer loans secured by motor vehicles and the 72 residential mortgage loans extended within the assessment area was conducted to analyze borrower income characteristics. The following charts illustrate the distribution of sampled loans by borrower income level.

Distribution of Loans by Income Level of Borrower

Consumer Loans Secured by Motor Vehicles

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	63	30	23	13	129
Percentage of Total Loans	49%	23%	18%	10%	100%
Total Amount of Loans (000's)	\$298	\$230	\$193	\$99	\$820
Percentage of Total Loans	36%	28%	24%	12%	100%

Residential Mortgage Loans

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	3	20	21	28	72
Percentage of Total Loans	4%	28%	29%	39%	100%
Total Amount of Loans (000's)	\$56	\$571	\$856	\$1,416	\$2,899
Percentage of Total Loans	2%	20%	29%	49%	100%

For purposes of comparison, the chart below depicts the distribution of families residing in the assessment area according to low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Families	30%	19%	19%	32%	100%

The volume of consumer loans secured by motor vehicles extended to low- and moderate-income residents (72%) substantially exceeds the representation of such families within the assessment area (49%). The percentage of residential mortgage loans extended to moderate-income residents (28%) exceeds the proportion (19%) of moderate-income families residing in this market area. The portion of loans extended to low-income applicants (4%) is much lower than the 30% of such families within the assessment area. As noted previously, the unemployment rate (10.3% and 12.7%) in the area is somewhat higher than for the state (6.5%). Furthermore, slightly more than 26% of families in the assessment area are below poverty level compared to 16% for the state. The effective demand for residential mortgage loans by such families may, therefore, be limited. The bank's overall loan distribution is considered adequate given local economic conditions and relative estimated demand for these loans, using area demographics as a proxy.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among BNAs within the institution's assessment area. As previously mentioned, there are no low- or upper-income geographies within the assessment area, and the only moderate-income geographies within the assessment area are located in Clay County. The following charts depict the geographic distribution of the sampled consumer loans secured by motor vehicles and residential mortgages extended to residents of the assessment area.

Distribution of Loans in Assessment Area by Income Level of BNA

Consumer Loans Secured by Motor Vehicles

	Moderate- Income	Middle- Income	Total
Total Number of Loans	24	105	129
Percentage of Total Loans	19%	81%	100%
Total Amount of Loans (000's)	\$240	\$581	\$821
Percentage of Total Loans	29%	71%	100%

Residential Mortgage Loans

	Moderate- Income	Middle- Income	Total
Total Number of Loans	15	57	72
Percentage of Total Loans	21%	79%	100%
Total Amount of Loans (000's)	\$510	\$2,389	\$2,899
Percentage of Total Loans	18%	82%	100%

Although the percentage of lending in moderate-income BNAs (19%) is lower than the proportion of the population residing in such BNAs (43%), only one of the bank's offices is located in Clay County. As a result, higher loan volume is distributed in Braxton County which is served by the remaining three branches.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.